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PacifiCorp reduces its take of federal power
Helps region through energy crisis – Move ensures BPA benefits continue for PacifiCorp's residential customers

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Bonneville Power Administration

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CONTACTS: [Ed Mosey](#), BPA (503) 230-5131

Jan Mitchell, PacifiCorp, (503) 813-7281

PORTLAND, Ore. – Efforts to reduce a potential triple-digit increase in BPA's wholesale electricity rates are beginning to pay off. PacifiCorp and the Bonneville Power Administration today announced the first agreement by an investor-owned utility to reduce load (electricity demand) on BPA for the five-year rate period beginning this October. Under the agreement, PacifiCorp has released BPA from its commitment to sell the company 251 average megawatts each year for the next five years.

"PacifiCorp is the first investor-owned utility to step up in a big way to help the region ensure economic stability," BPA's acting administrator, Steve Wright, said. "This is a very important step toward reducing the rate increase, and we are optimistic that other investor-owned utilities in the Northwest will make comparable commitments."

"This is good news for our customers, for BPA and the region," said Matthew Wright, senior vice president of PacifiCorp. "With this agreement, we're doing our part to help address the impact of the extremely volatile power market on the region's economy. At the same time, our residential and small farm customers will receive a significant increase in benefits from the BPA system compared to the last five years. We appreciate the support we've received from utility regulators in Oregon, Idaho and Washington in completing this arrangement."

Previously, BPA had agreed to provide 251 average megawatts of firm power for PacifiCorp's residential and small farm customers. Under the new agreement, BPA will instead make a cash payment to PacifiCorp that will maintain benefits to the company's residential and small farm customers. In effect, PacifiCorp has agreed to a cash settlement under BPA's residential exchange program. The arrangement helps BPA avoid power purchases in an expensive market, which would have driven BPA rates up significantly higher.

"This BPA/PacifiCorp agreement will help bring some needed stability to the regional power picture and will work to keep rate increases down for customers of both entities," said Roy Hemmingway, chairman of the Oregon Public Utility Commission.

Roger Hamilton, OPUC commissioner, concurred, "This agreement represents a willingness of BPA and

PacifiCorp to give and take to arrive at the best deal for their customers under the circumstances of dramatic increases in wholesale prices."

In keeping with BPA's call for a 10 percent reduction in power demand on BPA, PacifiCorp has agreed to a reduction in its first year cash benefits financially equivalent to BPA's offerings to other utilities willing to reduce loads. BPA is still hoping that the remaining five Northwest investor-owned utilities will reduce their portions of BPA power by 10 percent. It also is urging its 129 public utility customers to collectively match this 10 percent load reduction. The goal is to keep loads down for the next two years so that BPA does not have to buy power in the expensive wholesale market, which could result in far higher electricity rates. BPA expects that within two years sufficient new generation will have come on line so that market prices stabilize.

"Negotiations are ongoing with all our customer groups," Wright said. "We hope that our recent load reduction agreements with several aluminum companies and now with PacifiCorp will serve as a catalyst for more agreements with other customers – and soon."

On April 9, BPA announced that the region's federal electricity system is headed for wholesale rate increases of 250 percent or more beginning October 1 unless BPA customers – the region's retail utilities and large industries – make commitments within the next 60 days to reduce energy use. BPA said that it is about 2,500 average megawatts short of meeting all the demand of its customers on October 1 when new power sales contracts take effect.

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